

Guest Workers: Immigration Outreach/Education/Compliance



2006 IRS Tax Forum

Atlanta, Georgia

July 25-27, 2006

Presentation Outline:

- I. Immigration Trends
- II. Barriers to Compliance
- III. Tax Compliance Issues
- IV. ITIN Statistics/Resource Information
- V. Guest Worker Advisory Council
- VI. Outreach/Education/Translation
- VII. Guest Worker Compliance Initiative
- VIII. Statistics
- IX. “Mini – Warehouse”

United States Population

- 1915—U.S. population tops 100 million
 - 1967—U.S. population tops 200 million
 - 2006—U.S. population is expected to top 300 million
- In the U.S. a baby is born every 8 seconds, a person dies every 12 seconds, and an immigrant enters the nation every 31 seconds.

America's Changing Face

- “The 300 millionth person will be a Mexican Latino in Los Angeles county, with parents who speak Spanish at home and with siblings who are bilingual.”

--William Frey, University of Michigan population studies center

A Growing Immigrant Population

- In March 2004, the U.S. held 34 million immigrants.
- This number was 12% of the U.S. Population, the highest percentage in 80 years.
- If current immigration trends hold steady, the percentage of immigrants in the U.S. will pass the all time high of 15% (1890) of the population by 2010.

A Growing Undocumented Population

- ❖ **Legal immigration is decreasing, but immigration by undocumented persons accounts for most of the growth in overall immigration in the U.S.**
- ❖ **Between 2000-2004, 46% of all immigrants entering the U.S. were thought to be undocumented.**
- ❖ **57% of immigrants during this time period came from Mexico, with 85% of those considered undocumented.**

Where Are They Going?

- The growth of immigration is uneven across the country.
- Growth is greatest in the south.
- This growth is having a major impact on these states where Hispanic communities have not been well established.

% Hispanic Growth 1990-2000

- | | |
|----------------------|-----------------|
| •North Carolina 394% | •California 43% |
| •Arkansas 337% | •New York 43% |
| •Georgia 300% | •Illinois 69% |
| •Tennessee 278% | •New Jersey 51% |
| •South Carolina 211% | |
| •Alabama 208% | |

U.S. Demographic of Hispanic Immigrants (Undocumented)

- ❑ 57% are born outside of the U.S.**
- ❑ 63% are male.**
- ❑ The median age is 27 years.**
- ❑ 62% lack a high school diploma.**
- ❑ 57% do not speak English.**
- ❑ Hispanic school age population in the south grew by 322% since 1990.**

North Carolina Demographics

- ❑ **38% of Hispanics in N.C. came from outside of the U.S.**
- ❑ **40% came from another state.**
- ❑ **21% were born inside N.C.**

Immigrants in North Carolina

- ❑ Hispanics filled 1 in 3 new jobs in N.C. during the last 10 years.
- ❑ Median Hispanic family income is \$32,000.
- ❑ 57% of the growth in N.C.'s school age population has been caused by Hispanic immigration.
- ❑ Hispanics contribute \$9 billion to the N.C. economy.

Immigrants in North Carolina

- ❑ **Hispanics pay \$756 million state taxes in North Carolina per year.**
- ❑ **Government services provided to Hispanics cost \$817 million.**
- ❑ **Net annual cost to North Carolina taxpayers is \$61 million annually.**

Summary

- **The overall economic conditions in the U.S. do not seem to have either a positive or negative impact on immigration trends.**
- **Traditional destinations such as Texas and California are giving way to new destinations: N.C., Georgia, and Arkansas**
- **The typical Hispanic immigrant is young, male; lacks a high school education, and often does not speak English.**

Sources:

- *Immigrants at Mid-Decade*, by Steven Camarota, Center for Immigration Studies
- *Rise, Peak and Decline—Trends in U.S. Immigration 1992-2004*, by Jeff Passel and Roberto Suro, Pew Hispanic Center
- *The New Latino South: The Context and Consequences of Rapid Population Growth*, Pew Hispanic Center
- *Estimates of the Size and Characteristics of the Undocumented Population* by Jeff Passel, Pew Hispanic Center
- *The Economic Impact of the Hispanic Population on the State of NC*, UNC-Chapel Hill

Barriers to Tax Compliance

- Low levels of English proficiency
- Lack of familiarity with U.S. tax system
- Lack of understanding of filing requirements
- Erroneous information about withholding and filing requirements
- Fear of dealing with the Government/Immigration issues
- Limited bilingual staff to communicate with Hispanic population
- Limited number of instructions and tax forms in Spanish

N.C. Tax Compliance Issues

o A large segment of N.C.'s guest workers originate from:

- Guatemala
- Honduras
- Mexico
- Nicaragua



- Earn an average per annum salary of \$32

o Individual Income tax non-compliance has been identified in the

following industries:

- Food processing plants
 - Furniture and textile manufacturing facilities
 - Construction
- Identified non-filers in these industries:
 - ✓ Have been employed for several years
 - ✓ Have an income tax liability

Tax Compliance Issues

- False name and Social Security Number
- Minimum or no withholding on wages
- Non-filers
- Counterfeit documents obtained (birth certificates, Social Security cards; other forms of identification)
- Dependents
- Filing status
- 1099 income recipients



Tax Return Processing Issues

- **Original return filed: “ITIN applied for”**
- **Return filed with ITIN and correct name; W-2 with SSN and false name attached**
- **Filing Status**
- **Dependents**
- **ELF – Fraudulent Preparer Cases**

Audit Issues

- Returned mail
- Guest Worker changes name and SSN
- Audit completed under SSN – Tax return filed under ITIN
- Amended return filed after audit with ITIN applied for
 - Incorrect allowances
 - Incorrect filing status
- Debt set-off program

Tips para Solicitar ITIN

El IRS ha revisado su proceso de uso individual al número de indentificación del contribuyente ITIN

[Más información](#)



ITIN Statistics

- As of 2003 - 7 million ITIN's had been issued

- As of 2003 - States ranked by largest ITIN issuance:

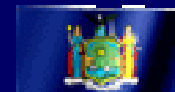
- California (2,112,586)



- Texas (776,932)



- New York (394,000)



- North Carolina (334,000)



- 1.5 million ITIN's issued in 2005

NCDOR - Actions

- o **Guest Worker Advisory Council**

- o **Outreach/Media**

- o **Education**



- o **Translation**

- o **Operational Enhancements**



- o **Compliance**

Guest Worker Advisory Council

- ✓ Provide guidance on operational strategies
 - ❖ TACC – Taxpayer Service/Proposed Assessments
 - ❖ Taxpayer Assistance – Outreach/Education/Proposed Assessment
 - ❖ Hispanic Liaison –Advertising/Media Events
 - ❖ Collection – Final Assessments
 - ❖ Examination – Compliance Initiatives
 - ❖ All Divisions – Recruitment

\$500,000 recurring budget

NCDOR - Outreach



✓ Community Outreach

Education Assistance: presentations and distribution of

Spanish language brochures:

- **Church events**
- **Hispanic Festivals**
- **State Fair**
- **Hispanic Job Fairs**
- **Mexican and Central American Consulate events**

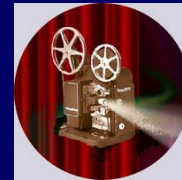


✓ Advertising Campaign

- \$140,000 budget
- **Message – *individual income tax filing requirements***

○ Theater Advertising

- **One Movie Theater – 14 screens – 8 weeks**
- **Slide appeared 6 times before every movie in every Theater section**



○ Television

- **Univision - Spanish Language Television**



○ Radio

- **Spanish language radio stations**



NCDOR - Education

✓ Tax Education - Current

- o Tax Seminars held at various venues
- o Radio Talk Shows (call-in questions)
- o North Carolina Public Television (OPEN/net)



✓ Tax Education – Future

- o Production of Spanish language tax education videos
- o Distribute Spanish language posters on tax issues
- o Prepare inserts in Spanish for employee paycheck envelopes



NCDOR - Translation



✓ Translation – Current – Letter/Brochures

- NC-4/Withholding tax brochure
- Corporate Income and Franchise Tax brochure
- Privilege License tax brochure
- Sales and Use tax brochure
- Various Examination & Collection Division form letters

✓ Translation - Future – Website (coming July 2006)

- General Tax Information
- Frequently Asked Questions

✓ **Operational enhancements:**

I. Recruitment of bilingual staff

II. Bilingual Hispanic Liaison – Public Information Office

**III. Taxpayer Assistance Call Center
(TACC)**

IVR - Translated messages

Increased bilingual agents

Compliance Initiative

- **Identify non-compliant guest workers**
- **Assess tax based on name and SSN provided**
- **Correct NC-4 /withholding**
- **Identify guest worker 1099 recipients**
 - **Non-filers**
 - **Underreported income**
 - **Overstatement of deductions**
 - **Employer/Employee relationship**

1099 - Issues

<input type="checkbox"/> Correction Code		OMB No. 1545-0118					
PAYER'S name, street address, city, state, and ZIP code		1 Route	2004 1099-MISC				
BILL		2 Renter 34590.78	Miscellaneous Income				
3 Other income		4 Total income tax withheld	Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a recipient paying or other specific may be required to use Form 1099-MISC to report this income. If you are not required to file a return, you may still want to keep this for your records.				
PAYER'S Federal Tax ID	RECIPIENT'S identification No.	5 Filing basis provided		6 Mind to health care plan			
RECIPIENT'S Name JOE	7 Nonemployee Compensation 17344.45	8 Payer is less than 10%		9 Other income provided			
Street Address	9 Name with dollar value of \$5000 or more of interest, dividends, or other income (except for rental income) for month	10 Other income provided		11 Gross paid to an attorney			
CITY	ST	ZIP	12 Excess Goldstar Pay Factor	13 State tax withheld	14 State tax withheld	15 State tax withheld	16 State tax withheld
Account Number (Optional)	17 Other	18 Other	19 Other	20 Other	21 Other	22 Other	23 Other
Form 1099-MISC (Keep for your records.) Department of the Treasury - Internal Revenue Service							

- 1099 data analyzed and assigned for Examination
- 2003—4,197 records for a 1099 being issued to a payee using an ITIN resulting in over **\$140 million in untaxed income**
- 2004—5,829 records for a 1099 being issued to a payee using an ITIN resulting in over **\$208 million in untaxed income**
- One N.C. payee received \$1.4 million in 1099 income using ITIN. (90 payees were found to be in the \$215,000 to \$600,000 income range)

Compliance Initiative

✓ Guest Worker Compliance Team

- Experienced bilingual Field Auditor - Leader
- Auditors and Tax Technicians in various regions
- Bilingual and non-bilingual
- Dedicated database

✓ Identification of Compliance Issues

NC-3 media submitted by employer

Secure payroll information electronically during audits

NC-4 submitted by employer (>10 allowances or exempt)

- o **NC requires employers to submit NC-4**

Paper filed ITIN return

E-filed ITIN return

1099 Extract Tape

Compliance Initiative - Statistics

Period 7/1/05 – 5/31/06

<u>Employer</u>	<u>Tax Schedule</u>	<u>Non-compliant guest workers</u>	<u>Number of Assessments</u>	<u>Assessment Totals</u>
Various (39 employers)	Individual	6,350	9,614	16,802,158
<u>Guest Worker Business owners</u>				
56 taxpayers	Sales/Use	56	56	1,641,211
Total completed audits				\$ 18,443,369

Future Assignments

- **Erroneous e-filed ITIN returns**
- **Erroneous paper filed ITIN returns**
- **Non-filers identified by annual reconciliation**
- **Non-filers identified by 1099 extract tape**
- **Erroneous filed returns identified by 1099 extract tape**



Mini- Warehouse

- ❖ **Appropriation of funds through Guest Worker Initiative**
- ❖ **SAS technology**
- ❖ **Integrate disparate data sources**
- ❖ **Identify non-filers and underreporting**
- ❖ **Provide operational staff with a powerful research tool**

Mini- Warehouse

✓ Current Data Sources

- NC-3 annual reconciliation data (2004)
- 1099 misc. data (IRS extract tape)(2003-2004)
- Individual Income Tax database (ITAS)(2003-2004)

✓ Future Data Sources

- IRS ITIN extract tape
- Sales Tax Database (ITAS)
- Division of Motor Vehicles
- Employment Security Commission

Project Schedule

- **80 business days from project start to completion**
 - **Phase 1—Requirement gathering**
 - **Phase 2—Design and analysis**
 - **Phase 3—Development, test, and integrate**
 - **Phase 4—Production release**
 - **All phases completed by July 11, 2006**

Thank You!



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